

Title	Abstract
Sub Title	
Author	
Publisher	
Publication year	1959
Jtitle	三田商学研究 (Mita business review). Vol.2, No.2 (1959. 6)
JaLC DOI	
Abstract	
Notes	
Genre	
URL	<a href="https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AN00234698-19590625-04044268">https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AN00234698-19590625-04044268</a>

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# The Relation between Rate of Interest and Investment

—An analysis by statistical data—

*Ryōichi Suzuki*

The purpose of this essay is to find the factor determining the security and borrowing from banking by investment demand. We have tried to establish the hypothesis to explain the relation between economic growth and trade cycle. The economic development is occurred by new investment, so that the relation will be decided by the investment ratio to fixed capital and liquid capital. Enterprise will decide this ratio so that the marginal productivity of each capital may equalize. The divergence of marginal productivity will be index of efficiency of capital. But in our economy, the physical investment is subject to monetary investment. Then the relation between economic growth and trade cycle will be depend upon the ratio of the issue of security and borrowing from banking. The former will be chiefly invested to fixed capital, the latter will be expended for buying raw materials and employment of laborers.

In the long run, owing to the effect of capital accumulation and the increase of roundabout production-period, this ratio will be increased. But in short period, what factor affect this ratio? Observing the statistical data from 1923 to 1936, the correlation between rate of interest and new investment is very slight. On the other hand, the correlation between the rate of interest and the stock of capital is relatively obvious. This result will be the objection to Marshallian theory for rate of interest. The causality of these variable, is to stated as following, the stock of capital affect the rate of interest, and the rate of interest will affect the new investment.

The efficiency of capital will be measured by qualified Farrel's method. Professor Farrel showed the method of measuring the aggregate efficiency of productive factor, and applied it to American agricultural data. We applied this method to measuring the long-period and short-term investment. For cross section data in 1956, the districts of which capital are most efficient are Chiba, Shiga, Shizuoka, Kumamoto. But

when this method applied to monetary capital, the assumption that the monetary investment in particular district is to be expended for the physical investment in that district. But this assumption is not always correct. So that this calculation is only the first approximation to measure the aggregate efficiency of monetary capital.

Finally, we analysed the relation between monetary capital ratio and real income per head. Before the War II, the correlation is positive, and we can prove the hypothesis that the prolongation of round-about production increases the income. But after the War, particularly after 1950, this correlation is very slight. Probably, the reason is as following, the large part of fixed investment is financed by government subsidy or recommendation. But, in our analysis, the existence of business shares and the reservation in firms, are neglected then we should analyse these factors.

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## Business Policy and Labour Union (I)

—Some problems in labour-management cooperation—

*Misao Sekiguchi*

In this article I shall try to examine some problems in labour-management cooperation. The purpose of this study is the analysis of some effects on union action to business policy. But, as the functional approach to union action can not be understood that problems, I have to take care of the problem in which business behaviour effects especially from labour union. Then, I shall review on the situations in labour-management cooperation by distinction of aspects of economical and Political labour union actions.

Hence, I should like to analyze both the economical significance and conditions in labour-management cooperation through the comparison of Japanese Productivity Movement to such cases in American labour-management. So, I recognized the facts that basic condition in security of employment by the analysis of Scanlon Plan at the Lapoint Machine Tool Company, and I shall try to point out that the aspects of economy in security of employment are place in common with labour-management cooperation.

# Great Panic and Large Corporation Control

*Tasuku Noguchi*

In this article the writer intends to analyse the managerial control which was adopted by Japanese enterprises prompted by panics in the accumulation and concentration of monopolys and in the keep monopolistic competition after 1939.

Especially, the writer attempt to analyse each controls of production, finance, sale and labour concretely at each industrial sections of coal, iron, ship construction, machinery, chemicals and fibre.

After reading this article, you may find that our large corporation controls had remarkable previous periodical side the other word feuda-  
listic, side, but you must forget that these Japanese controls was little different from American's controls in the point of those contents as well as those periods.

In this very condition, these were able to control the markerts and by and by these were changing in the course of continued war constitution.

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## Money in the Theory of Consumer's Behavior

—A Step for the Generalization of Slutsky Equation—

*Shigeru Tamura*

In the traditional theory of consumer's behavior, circulating money is nonexistent. It is the numéraire that plays a rôle in it. The reason why the traditional theory excludes circulating money is that money has no direct utility. This is quite true under static conditions in the strictest sense, but we can recognize direct utility in holding money, if we develop the problem under the looser static conditions in the point that they contain some assumptions as to 'time'. So, in this paper, we are engaged in modifying the traditional theory so as to be able to describe the consumer's behavior in the case where the consumer demands not only commodities but money.

We begin with setting necessary assumptions and explaining what

sort of satisfaction the consumer derives from holding money under those assumptions. Then we proceed to introduce money into utility function. Both C. E. V. Leser and P. A. Samuelson introduce money into utility function in the form of purchasing power over each kind of commodity. But we choose the way of introducing money into it in the form of purchasing power over the commodity-in-general. Our method enables us to obtain the same results more easily than they did. These results are as follows.

(1) Slutsky equation should be modified so as to include two new terms besides two ordinary income and substitution terms. The two terms measure indirect income, and indirect substitution, effect.

(2) Between the  $\gamma$ th commodity and the  $s$ th one, we can not say that the substitution effect on the  $\gamma$ th commodity resulting from a change in the  $s$ th price is the same as the substitution effect on the  $s$ th commodity resulting from a change in the  $\gamma$ th price. This fact is due to the existence of the indirect substitution effect.

(3) Consumer's income remaining unchanged, an equi-proportionate change in all price has only an income, and not substitution, effect.

(4) If consumer's income changes in the same proportion as all prices, the real condition of consumer's demand remains unchanged. Accordingly, in this case, the fundamental proposition of the Quantity Theory of money holds true; the elasticity of demand for money is unity.

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## The Commercial Theory of François Quesnay

*Shōji Murata*

It cannot be said that François Quesnay has ever developed a commercial theory deserving of the name. The reason why I am particularly interested in his reference to commerce is based on the fact that we can understand the general view of the Physiocrates regarding function and significance of commerce in economic circulation through his treatment of commerce. Quesnay, in his famous articles, "Du Commerce" etc., emphasizes the economic significance of "commerce." However, it must be remembered that his definition on commerce is sometimes broad or narrow in its meaning.

In part I of the paper, the writer will consider the unproductivity of commercial industry for the reason that it does not produce "produit net." Therefore, agriculture is the fundamental industry of the country, where liberty and security are its chief requisites. In part II and III, Quesnay's view concerning commerce and price will be examined. He made a sharp distinction between commerce as a profit-making activity of merchants (*le commerce revendeur*) and pure commerce (*le change qui se fait entre le vendeur de première main et acheteur-consommateur.*) Such a clear distinction as to commerce is expressed in the various parts of his works. And he put much stress upon the importance of the economic function which plays an active role in establishing "le bon prix."

Lastly, the writer tries to make some additional remarks on Quesnay's explanation on the free play of commerce which is synonymous with free competition, while the mercantilistes believe that the country would be prosperous only by nationalism and state-regulation.

Generally speaking, Quesnay's analysis on commerce has a little worth, theoretically, and his viewpoint about it has an important influence, even today, upon the establishment and development of the economic theory of commerce.